

Sunway (SWB MK)

4Q25: Exceeds Expectations; Downgrade To HOLD Ahead Of SHH Listing On Rich Valuations

Highlights

- Results came in above expectations due to stellar performance from the construction segment.
- Sunway targets a total of RM4.8b (+45% yoy) in new launches and property sales of RM4.2b (+11% yoy), supported by a strong property launch pipeline including RTS Tower 3 in Johor and Pinery Residences in Singapore.
- Downgrade to HOLD with new target price of RM5.62 on rich valuations after the removal of catalyst from SHH listing and uncertainties surrounding the IJM takeover offer, with potential synergies contingent on successful acquisition.

4Q25 Results

Year to 31 Dec (RMm)	4Q25 (RMm)	3Q25 (RMm)	4Q24 (RMm)	qoq % chg	yoy % chg	2025 (RMm)	yoy % chg
Revenue	2,319.1	2,565.2	2,854.6	(9.6)	(18.8)	9,813.0	24.5
Property Development	457.2	380.9	809.6	20.0	(43.5)	1,452.8	(26.1)
Construction	737.2	1,174.2	1,099.8	(37.2)	(33.0)	4,418.1	79.3
Property Investment	283.6	275.3	254.9	3.0	11.3	1,028.2	4.0
Pre-tax profit	698.0	476.4	493.7	46.5	41.4	1,874.4	23.0
Property Development	253.2	55.1	162.5	359.6	55.8	393.9	(13.7)
Construction	162.5	121.3	116.7	33.9	39.2	533.1	89.5
Property Investment	130.9	118.6	132.3	10.4	(1.1)	418.1	14.8
*Healthcare PAT (equity accounting)	96.9	51.4	67.0	88.7	44.7	215.6	(0.2)
PATAMI	502.3	338.1	335.5	48.6	49.7	1,304.0	13.0
Core net profit	401.3	309.2	251.0	29.8	59.9	1,147.7	14.1
Pre-tax Margins (%)	%	%	%	+ppt	+ppt	%	+ppt
Property Development	55.4	14.5	20.1	40.9	35.3	27.1	3.9
Construction	22.0	10.3	10.6	11.7	11.4	12.1	0.7
Property Investment	46.2	43.1	51.9	3.1	(5.7)	40.7	3.8

Source: Sunway Bhd, UOB Kay Hian

Analysis

- Exceeds expectations.** Sunway Berhad (Sunway) reported 4Q25 core net profit of RM401m (+30% qoq, +60% yoy) on revenue of RM2.3b (-10% qoq, -19% yoy). This brings 2025 core net profit to RM1.1b (+14% yoy), 10% above our and consensus estimates, due to the stellar performance from the construction segment. We derived our 4Q25 core net profit after excluding RM101m in exceptional gains.
- Net gearing ratio increased qoq and yoy to 0.48x as of end-Dec 25 (vs 0.35x as of end-Sep 25 and 0.41x as of end Dec 24).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	7,882.5	9,813.0	11,552.5	13,367.9	14,807.2
EBITDA	1,031.4	1,469.5	1,656.1	1,925.9	2,113.6
Operating profit	887.3	1,317.3	1,408.7	1,625.1	1,756.0
Net profit (rep./act.)	1,205.6	1,304.0	1,258.2	1,468.6	1,621.9
Net profit (adj.)	1,057.2	1,147.7	1,258.2	1,468.6	1,621.9
EPS (sen)	16.0	17.1	18.8	21.9	24.2
PE (x)	36.4	34.1	31.1	26.7	24.2
P/B (x)	2.6	2.4	2.3	2.2	2.1
EV/EBITDA (x)	39.7	29.1	26.2	22.9	21.2
Dividend yield (%)	1.0	1.0	1.3	1.5	1.7
Net margin (%)	13.4	11.7	10.9	11.0	11.0
Net debt/(cash) to equity (%)	43.5	51.1	51.4	51.7	50.8
Interest cover (x)	164.3	866.0	79.5	3,253.3	(50.3)
ROE (%)	9.4	9.8	10.4	11.7	12.4
Consensus net profit	-	-	1,213.0	1,307.0	-
UOBKH/Consensus (x)	-	-	1.0	1.1	-

Source: Sunway Berhad, Bloomberg, UOB Kay Hian

HOLD (Downgraded)

Share Price	RM5.84
Target Price	RM5.62
Upside	-3.8%
Previous TP	RM6.10

Analyst(s)

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	SWB MK
Shares issued (m):	6,760.4
Market cap (RMm):	39,480.9
Market cap (US\$m):	10,142.0
3-mth avg daily t'over (US\$m):	9.9

Price Performance (%)

52-week high/low				RM5.93/RM3.93	
1mth	3mth	6mth	1yr	YTD	
4.1	5.4	22.2	24.3	3.91%	

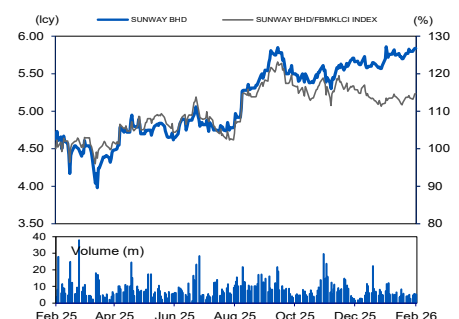
Major Shareholders

	%
Sungei Way Corp Sdn Bhd	47.2
EPF	9.6
Jef-San Enterprise Sdn Bhd	9.5

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	2.51
FY26 Net Debt/Share (RM)	1.29

Price Chart



Source: Bloomberg

Company Description

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

- **Targets property sales of RM4.2b (+11% yoy) in 2026.** 4Q25 property development revenue declined to RM457m (-44% yoy) due to lower progress billing while pre-tax profit jumped to RM253m (+57% yoy) following the acquisition completion of Sunway MCL in Oct 25 and a recognition of RM55.2m negative goodwill arising from the acquisition. 4Q25 property sales came in at RM0.7b (-40% yoy), bringing full-year sales to RM3.8b (+26% yoy), exceeding its sales target of RM3.6b. Sunway targets a total of RM4.8b (+45% yoy) in new launches and property sales of RM4.2b (+11% yoy), supported by a strong launch pipeline including RTS Tower 3 (RM977m GDV) in Johor and Pinery Residences (RM1.5b) in Singapore. Sunway's overall property segment remains solid, supported by record-high unbilled sales of RM9.5b (vs 3Q25: RM5.2b).
- **Healthcare: Strong operating metrics.** The segment's 4Q25 net profit share increased 45% yoy to RM97m, thanks to increased licensed beds (+27% yoy to 1,777) and total patient volumes (+8% yoy to 114,000). This brings full-year net profit share to RM216m (-0.2% yoy). Excluding the losses from the new hospitals, the segment profit would have improved by 28% yoy.
- Separately, Sunway announced the key dates for its proposed distribution-in-specie of Sunway Healthcare Holdings (SHH) shares to existing shareholders, with an ex-date of 10 Mar 26. Existing shareholders will receive 1 SHH share for every 10 Sunway shares held, with the shares to be credited on 17 Mar 26, ahead of SHH's listing on 18 Mar 26. Upon SHH's listing, Sunway's stake in SHH will be reduced from 84% to 69.5%.
- **Construction: Strong orderbook replenishment from data centre projects.** The construction segment's 4Q25 pre-tax profit surged to RM162m (+39% yoy), driven by the finalisation of accounts for several data centre projects. As of end-Dec 25, it secured RM5.2b in new orders, falling within its orderbook replenishment target of RM4.5b-6b. Sunway raised its orderbook replenishment target to RM6.0b for 2026.

Valuation/Recommendation

- **Downgrade to HOLD with a new target price of RM5.62 (from RM6.10)** as we incorporate the latest valuation for Sunway REIT and Sunway Construction, as well as a lower stake in healthcare segment. Our target price is based on SOTP valuation with a 5% conglomerate discount, which implies 30x 2026F PE and 26x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.3x 2026F P/B (+2SD above its 10-year mean of 1.2x). Overall, we like Sunway Bhd for its multifaceted strengths: a) long-term earnings visibility secured through sizeable landbank replenishment near transit-oriented developments and the recent acquisition of MCL Holdings in Singapore, b) multi-year earnings growth on record-high sales in 2024-25 and consistent orderbook replenishment, and c) growing medical tourism due to Visit Malaysia Year 2026. However, we downgrade to HOLD due to its rich valuation, factoring in: a) removal of catalyst from SHH listing on 18 Mar 26, and b) uncertainties surrounding the IJM takeover offer, as potential synergies is contingent on successful acquisition.

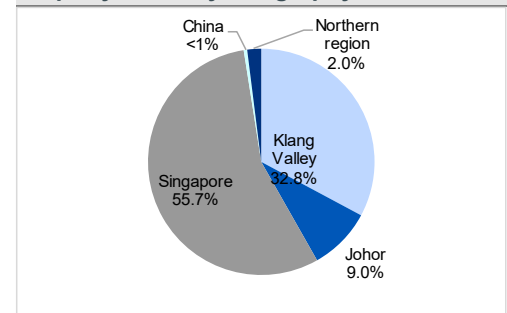
Earnings Revision/Risk

- We increased our 2027F earnings by 9% due to a stronger-than-expected launch pipeline.

Environmental, Social, Governance (ESG)

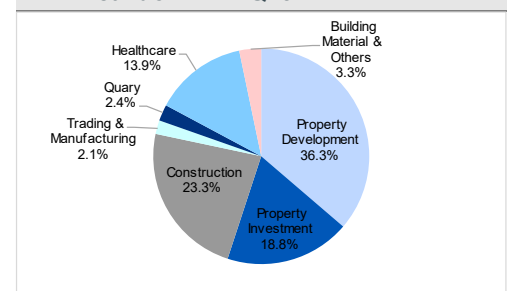
- Environmental - Installed photovoltaic solar panels at most of its properties.
- Social - Launched Sunway Cancer Support Fund.
- Governance - Good company transparency along with an anti-bribery and anti-corruption policy.

Property Sales By Geography In 2025



Source: Sunway Berhad, UOB Kay Hian

PBT Breakdown In 4Q25



Source: Sunway Berhad, UOB Kay Hian

SOTP-Based Valuation

Segment	(RMm)	% of SOTP	Remarks
Property development	14,234	36%	5% discount to property RNAV
REIT (40.9% stake)	3,921	10%	Valuation based on TP of RM2.8, based on DDM
Construction (53.2% stake)	5,207	13%	Valuation based on TP of RM7.4, 22x 2026F PE
Quarry & building materials	413	1%	15x PE 2026F quarry profits
Trading	1,698	4%	15x PE 2026F trading profits
Investment Properties	3,390	8%	Market Value
Healthcare (69.5% stake)	11,418	29%	25x EV/EBITDA 2026F; 2026F EBITDA RM657m
Less: Holding co (debt)/ cash	-292	-1%	
Total SOTP value	39,989		
Enlarged share base (m)	6,760		
Discount	5.0%		
Target Price (RM)	5.62		

Source: UOB Kay Hian

2026 Planned Launches

Project	Product Type	Location	GDV (RM million)
Sunway Serene Phase 2	Serviced Apartments & Superlink House	Kelana Jaya, Kuala Lumpur	525
Sunway Velocity 3 - Tower C	Serviced Apartments	Taman Maluri, Kuala Lumpur	584
Sunway Wellesley Phase 3	Serviced Apartments & Retail	Bukit Mertajam, Penang	95
Sunway Sakura Phase 2	Semi-D	Sunway City Iskandar Puteri, Johor	153
LB	Linked Semi-D	Sunway City Iskandar Puteri, Johor	420
C2 (F31)	Serviced Apartments	Sunway City Iskandar Puteri, Johor	500
RTS Tower 3	Serviced Apartments	Johor Bahru City Centre, Johor	977
Pinery Residences	Mixed development	Tampines Street 9A, Singapore	1,448 ¹
Sunway Gardens Phase 3	Condominium	Tianjin, China	112
Total			4,814

¹ Based on effective stake

Source: Sunway Berhad, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	9,813.0	11,552.5	13,367.9	14,807.2
EBITDA	1,469.5	1,656.1	1,925.9	2,113.6
Deprec. & amort.	152.3	247.4	300.7	357.6
EBIT	1,317.3	1,408.7	1,625.1	1,756.0
Associate contributions	558.8	395.5	457.1	422.5
Net interest income/(expense)	(1.7)	(20.8)	(0.6)	42.0
Pre-tax profit	1,874.4	1,783.4	2,081.6	2,220.5
Tax	(353.8)	(303.2)	(353.9)	(377.5)
Minorities	(216.7)	(222.0)	(259.2)	(221.2)
Net profit	1,304.0	1,258.2	1,468.6	1,621.9
Net profit (adj.)	1,147.7	1,258.2	1,468.6	1,621.9

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,483.2	9,504.3	10,180.3	10,893.8
Other LT assets	8,988.2	8,633.7	9,090.8	9,513.3
Cash/ST investment	6,788.3	7,356.7	7,857.1	8,514.2
Other current assets	14,543.5	15,473.6	16,965.7	18,148.7
Total assets	38,803.2	40,968.3	44,093.8	47,069.9
ST debt	8,829.3	8,829.3	8,829.3	8,829.3
Other current liabilities	6,058.5	6,246.6	7,231.8	8,013.7
LT debt	6,172.1	7,172.1	8,172.1	9,172.1
Other LT liabilities	605.4	605.4	605.4	605.4
Shareholders' equity	16,057.3	16,812.2	17,693.4	18,666.5
Minority interest	1,080.7	1,302.7	1,561.9	1,783.0
Total liabilities & equity	38,803.2	40,968.3	44,093.8	47,069.9

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	2,715.1	610.9	1,065.1	1,334.9
Pre-tax profit	1,874.4	1,783.4	2,081.6	2,220.5
Tax	(353.8)	(303.2)	(353.9)	(377.5)
Deprec. & amort.	152.3	247.4	300.7	357.6
Associates	(558.8)	(395.5)	(457.1)	(422.5)
Working capital changes	380.6	(741.9)	(506.9)	(401.2)
Non-cash items	1,220.4	20.8	0.6	(42.0)
Investing	(3,717.1)	(107.6)	(976.7)	(1,071.1)
Capex (growth)	(532.0)	(757.6)	(876.7)	(971.1)
Investments	(2,313.9)	(100.0)	(100.0)	(100.0)
Proceeds from sale of assets	1.5	750.0	0.0	0.0
Others	(872.7)	0.0	0.0	0.0
Financing	3,450.7	475.9	412.0	393.3
Dividend payments	(347.5)	(503.3)	(587.4)	(648.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	4,140.0	1,000.0	1,000.0	1,000.0
Others/interest paid	(341.8)	(20.8)	(0.6)	42.0
Net cash inflow (outflow)	2,448.7	979.2	500.4	657.1
Beginning cash & cash equivalent	4,339.6	6,377.5	7,356.7	7,857.1
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	6,788.3	7,356.7	7,857.1	8,514.2

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	15.0	14.3	14.4	14.3
Pre-tax margin	19.1	15.4	15.6	15.0
Net margin	11.7	10.9	11.0	11.0
ROA	4.0	4.2	4.7	4.9
ROE	9.8	10.4	11.7	12.4
Growth				
Turnover	24.5	17.7	15.7	10.8
EBITDA	42.5	12.7	16.3	9.7
Pre-tax profit	23.0	(4.9)	16.7	6.7
Net profit	8.2	(3.5)	16.7	10.4
Net profit (adj.)	8.6	9.6	16.7	10.4
EPS	6.6	9.6	16.7	10.4
Leverage				
Debt to total capital	87.5	88.3	88.3	88.0
Debt to equity	93.4	95.2	96.1	96.4
Net debt/(cash) to equity	51.1	51.4	51.7	50.8
Interest cover (x)	866.0	79.5	3,253.3	(50.3)

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